

## November 20, 2020 – Updates on Government Relief Initiatives

### **Introduction of three new benefit programs:**

On November 19, 2020, Bill C-9 was passed. It enacts the new Canada Emergency Rent Subsidy (CERS) and extends the Canada Emergency Wages Subsidy (CEWS) to June 30, 2021. To assist businesses affected by the government's lockdown measures, the bill also provides an additional 25% top-up to CERS for qualifying organizations.

### **Canada Emergency Rent Support (CERS):**

Unlike the previously ended rent subsidy program (CECRA), CERS is provided directly to tenants:

- **Eligible entities:** Individuals, taxable corporations and trusts, non-profit organizations and registered charities. Eligible entity must have had a payroll account as of March 15, 2020 or have a business number as of September 27, 2020
- **Duration:** September 27, 2020 to December 19, 2020. You may retroactively apply for the period prior to the date Bill C-9 was passed.
- **Qualifying periods:** Aligned with CEWS, the first CERS period is identified as period 8.
  - Period 8: September 27 to October 24, 2020
  - Period 9: October 25 to November 21, 2020
  - Period 10: November 22 to December 19, 2020
- **Eligible expenses (net of GST/HST) are:**
  - Paid or payable\* under agreements in writing entered into before October 9, 2020 (and continuations of those agreements). For example, a 4-year rent agreement entered into in January 2019.
  - Commercial rent for a Canadian property, net of any sublease revenue.
  - Commercial rent includes regular instalments required under a net lease agreement, such as amounts to cover your share of common area maintenance.
  - Property taxes, insurance, commercial mortgage interest for such property. Eligible mortgage interest is limited, and is calculated on the lowest principal amount since the property was acquired. The principal amount must not exceed the original cost of the property.
  - Home office expenses are not eligible.
  - Expenses must be paid or payable\* to arm's length parties (unrelated to applicant).
  - Expenses are not eligible if it relates to a property that is primarily used to earn rental income from arm's length parties.
  - Capped at \$75,000 per location, and an overall cap of \$300,000 between affiliated entities.

\*The Government intends to bring legislative changes to include expenses payable as an eligible expense for the purposes of CERS, retroactively to September 27, 2020. The legislation in its current form refers to "amounts paid". The government website lists expenses payable as an eligible expense. The legislation considers CECRA amounts received by the landlord, that were applied against your rent payable in respect of the qualifying period, as an eligible expense.

- **Revenue test:** Same as CEWS. This means if you had chosen the alternative method of comparing the average of January and February 2020 revenue, you must use the same approach for CERS and it must be used for all three claim periods of the CERS.
- **Application:** Apply via CRA My Business Account, you will need to create a CERS (ZA) number online before you can apply. Payments to begin as early as December 4.
- **Subsidy rate:** Calculated as a percentage of eligible expense, and it is on a sliding scale depending on the revenue decline:

Revenue Decline	Base Subsidy Rate
70% and over	65%
50% to 69%	40% + (revenue drop - 50%) x 1.25 (e.g., 40% + (60% revenue drop - 50%) x 1.25 = 52.5% subsidy rate)
1% to 49%	Revenue drop x 0.8 (e.g., 25% revenue drop x 0.8 = 20% subsidy rate)

- **Due date:** Applications must be made on or before 180 days after the end of the qualifying period.
- **Lockdown Support** - A top-up subsidy of up to 25 per cent for organizations that are subject to a lockdown and must shut their doors or significantly restrict their activities under a public health order issued under the laws of Canada, a province or territory (including orders made by a municipality or regional health authority). This top up rate is pro-rated based on the number of days affected within a claim period.

#### Canada Emergency Wage Subsidy (CEWS):

- The program has been extended until June 2021.
- The subsidy rate of up to 65% will be held until December 19, 2020.
- Top-up revenue reduction percentage calculation has been changed for claim periods 8, 9, and 10. Instead of calculating the top-up percentage using the revenue of the last three calendar months that ended prior to the current period, you may use the revenue reduction percentage of the qualifying period.

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